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**CONFIDENTIAL**

Prime Minister  
Duty Clerk 7/8

PRIME MINISTER

MF

RAIL FARES

I had a long talk with Sir Peter Parker yesterday evening about British Rail's financial problems, and told him I could not offer any increase in his EFL. He was much concerned that the EFL regime might start to fail if it was applied too rigidly.

We then discussed fares. I went over with him very fully the points in your Private Secretary's letter of 5 August about what the effect would be on the business and about the points he would need to deal with in justifying any increase to his customers.

I sent you a message at the beginning of this afternoon that the Railways Board at their meeting today have decided to announce at once that they will not be raising their fares before the end of November. This is welcome news, particularly for 75,000 holders of annual season tickets. I must report that this is not the end of the Board's financial problems this year, as the recession continues to erode their traffic and I will be bringing forward proposals on this in September.

I am sending copies of this to the other members of the Cabinet and to Sir Robert Armstrong.

NORMAN FOWLER

7 August 1980

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